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20 November 1951

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DAILY DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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SECTION 1 (SOVIET)

1. USSR. Comment on renewal of Soviet charges concerning Trieste: In its 18 November note to the US, UK, and France concerning Trieste, the USSR renews long-standing charges that the three powers are violating their commitments under the Italian Peace Treaty. The note resembles recent Soviet attacks on NATO in that it claims that the West is adapting Trieste resources for NATO purposes and is securing a permanent military and naval base on the Free Territory.

The note further states that the Western Powers are planning to divide the territory illegally between Italy and Yugoslavia. The USSR calls for another attempt by the UN Security Council to appoint a governor, probably in an effort to interfere with any possible bilateral settlement between Italy and Yugoslavia.

- 25X1 2. Rotation of military personnel under way to and from Soviet Zone of Germany: [redacted] the influx of recruits from the USSR increased in volume at the beginning of November when the return eastward of military personnel awaiting discharge was resumed. Between 3 October and 10 November, 16 trains with recruits were observed arriving in the Soviet Zone while eight trains with discharges left the zone. [redacted]

25X1 Comment: The arrival of additional recruits for integration into units after the end of all maneuvers follows the practice of previous years. The departure of trained personnel in the Soviet Zone had apparently ceased during the summer, presumably in order to retain seasoned personnel for the training of recruits who had arrived in the spring. The excess of arrivals over departures had resulted in an increase of strength estimates of Soviet ground forces in Eastern Germany by approximately 60,000 men. Information is not available to determine whether the current rotation will have any effect on the total of Soviet army strength in Germany.

- 25X1 3. Soviet press briefly reports new edition of Mao's works: The publication in Chinese of the first volume of a new edition of the Selected Works of Mao Tse-tung on 12 October received only one brief report in the Soviet press on the following day. During the past year, particularly in anniversary greetings and references to Communist China, there has been a noticeable absence of Soviet praise for Chinese Communist ideological achievements. However, the US Embassy feels that this is not due to any coldness between the two countries, which diplomatically and militarily are firmly aligned, but to the importance the USSR attaches to reserving for itself authority on all matters affecting Communist doctrine.

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Comment: It is true that Soviet publications do not often praise Mao's contributions to Communist theory. However, Mao has been praised in the Soviet press, through the frequent republication of Chinese Communist articles and in Soviet editorials on them, for his achievements in adapting Marxism-Leninism to China. Moreover, Moscow has repeatedly recommended the adoption of Mao's program by other "liberation" movements in Asia.

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5. Bulgarian note condemns Turkish border closure: On 15 November Bulgaria presented the Turkish Charge in Sofia with a note strongly protesting against the "unjustified and unilateral" closure of the Turkish-Bulgarian frontier on 8 November. Branding the border closure as an "arbitrary act which proves again the unwillingness of the Turkish authorities to abide by the Turkish-Bulgarian Convention," the Bulgarian note

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25X1 charges Turkey with responsibility for the consequent suspension of services by the Orient Express and for the detention of 1,500 Turks at the Bulgarian border city of Svilengrad. The note concludes with a demand that Turkey immediately take all necessary steps to restore regular railway transport operations, and that emigrants carrying regular passports and visas be allowed to cross into Turkey without further hindrance. [REDACTED] 25X1

[REDACTED]
Comment: It would appear that the present border closure came as a result of difficulties similar to those which led the Turkish Government to close the Turko-Bulgarian frontier from 7 October to 2 December 1950. In both cases considerable friction had developed as a result of the inclusion of non-Turkish and improperly documented elements among bona fide immigrants appearing at the border.

Rail traffic between Turkey and the West is presently routed via Greece.

- 25X1 6. CZECHOSLOVAKIA: Augmentation of materiel pool suggests expansion of Prague AAA defenses: The US Military Attache in Prague reports that the anti-aircraft materiel pool near Bohnice in the outskirts of Prague has been augmented by additional motor transport and has been provided with sentry boxes for security. [REDACTED]

Comment: In a 2 November message the Military Attache reported counting 103 88mm guns under tarpaulin in this storage space. The pooling of AAA materiel in such quantities indicates the probability that an expansion of AAA defenses in the Prague area is contemplated.

- 25X1 7. YUGOSLAVIA. Yugoslav terms for a Trieste settlement reported: [REDACTED] 25X1
[REDACTED] Yugoslav officials are concerned over possible political repercussions from the US if a Trieste settlement is not reached, and thus are willing to cede to Italy Zone A and possibly certain portions of Zone B in an effort to reach an agreement.

Yugoslav claims in Zone A are said to include certain well-defined rights in the port of Trieste, the entire Slovene area of Villa Opicina, and a connecting corridor from Zone B to the port of Trieste itself. The Yugoslav Government prefers delaying serious negotiations until the elections in Trieste have been held.

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Comment: The concessions which the Yugoslav Government will demand in Zone A are likely to be similar to the ones outlined above. There are indications that the Yugoslavs may be willing to yield the predominantly Italian coastal city of Capodistria, in Zone B, if they are given certain areas and rights in Zone A.

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AMG postponed the elections in order to prepare the ground for direct negotiations. All except the pro-Italian parties in Zone A opposed this postponement in a belief that election results would show a trend away from the Italians.

8. Yugoslav officials object to Western press criticism: According to the US Embassy in Belgrade, recent news dispatches playing up peasant resistance and economic difficulties within Yugoslavia have caused a serious rift between Yugoslav authorities and Western press representatives. Yugoslav officials have objected to these news stories on grounds that they not only provide Cominform propaganda but, more importantly, jeopardize Yugoslavia's standing with parliaments and peoples of Western countries.

Comment: Recent speeches by Tito and other Yugoslav officials have shown an increasing sensitivity to Western criticism of the regime and its policies. Yugoslav leaders are no doubt fearful of the effects that an unfriendly Western press may have on the large-scale Western military and economic aid programs.

9. Yugoslavs report increased planting of grain: Yugoslav officials report that the sowing of the important winter wheat crop in the Republic of Serbia, which normally produces a surplus of grain, has shown a substantial improvement during the past few weeks -- 76.2 percent of the plan for the Republic. Continued mild weather for the next two weeks would give the peasants and the collectives an opportunity to complete the sowing plan throughout Yugoslavia.

Comment: Because a poor winter wheat crop would pose a serious threat to the economy and thus to the stability of the regime, the Yugoslav press had complained that winter wheat sowing was far behind the schedule and urged the peasants and the cooperatives to disregard unfavorable climatic conditions in order to fulfill the sowing plans.

Unfavorable weather conditions, rather than reported widespread peasant opposition, were probably primarily responsible for a postponement of sowing.

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SECTION 2 (EASTERN)

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2. LEBANON. Lebanon concerned over strong Egyptian opposition to the Middle East Command: Egypt is exerting "tremendous pressure" to persuade the Arab delegations to the UN General Assembly to issue a joint statement this week endorsing Egypt's abrogation of the 1936 Anglo-Egyptian Treaty and its subsequent rejection of the Middle East Command proposals. The Lebanese Minister to the US, Charles Malik, in transmitting this information, warned that the US should not be deluded by the efforts of the Iraqi Prime Minister to compose the current situation, since Iraqi public opinion would force the Premier to yield to Egyptian demands.

The Lebanese Minister expressed his belief that King Ibn Saud of Saudi Arabia holds the key to the present situation. He accordingly urged that the US request Ibn Saud's assistance in countering the demands of the Egyptian Foreign Minister that all the Arab States publicly support Egypt's position. The Lebanese Foreign Minister is so violently opposed to Egyptian tactics that he is ready to resign.

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Comment: While Ibn Saud is probably the only figure in the Arab world who might exert some influence on Egyptian policy, there is little evidence to indicate that the aging Saudi Arabian monarch wishes to become embroiled in a dispute with his Egyptian friends.

The problem facing those Arab leaders who are interested in the

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Western defense proposals and who feel very strongly about the Egyptian maneuvers is that Arab public opinion generally supports Egypt's nationalistic demands.

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3. IRAN. Small quantity of tinplate allocated to Iran: The US is making available to Iran 270 tons of tinplate for the first quarter of 1952. [REDACTED]

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Comment: This tin is needed by Iran for packaging petroleum products for internal distribution. A month's supply is on hand, but the distribution of packaged oil products from the refinery at Kermanshah has been held up by the closing of the tin can factory due to a shortage of material.

4. INDIA. India reportedly can win a plebiscite in Kashmir: The US Embassy, chiefs of other diplomatic missions, and American press representatives in India now believe that India can win a UN-sponsored plebiscite in Kashmir. The Embassy reports that Premier Sheikh Abdullah's land and tax reforms are responsible for his growing strength in the state. [REDACTED]

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Comment: This belief in an Indian victory is contradictory to that held as recently as last summer. Abdullah's ruthless suppression of political opposition and UN delay in settling the Kashmir case have probably helped to develop a feeling on the part of Kashmiris that it is futile to combat increasing Indian control.

5. Kashmiri Prime Minister postpones trip to Paris: The Indian press reported on 15 November that Sheikh Abdullah, Prime Minister of Kashmir, who was to have gone to Paris to participate in the UN discussions on Kashmir, has abandoned his trip. It added that he may go later "if his presence there is considered necessary." [REDACTED]

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Comment: Prime Minister Nehru of India presumably believes that the Kashmir affair is proceeding satisfactorily enough in India's favor to make Sheikh Abdullah's persuasive oratory before the Security Council unnecessary.

6. Details of food barter agreement with USSR revealed: On 15 November officials of the Indian Food Ministry revealed the details of the May 1951 barter agreement with the USSR. One hundred thousand metric tons of Soviet wheat are to be delivered by March 1952, in exchange for 5,000 tons of raw jute, 2,500 tons of shellac, 5,500 tons of tobacco and 1,850 tons of tea. Freight is to be paid by open market purchases of pepper.

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25X1 The USSR originally asked for 98 dollars per ton FOB for its wheat, a figure equal to the US price. Subsequently, the Indian Government took advantage of price reductions in buying Indian commodities for exchange and was able to obtain the wheat at a cost of about 90 dollars per ton. [REDACTED]

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[REDACTED]
Comment: The quantities of bartered Indian commodities have not previously been reported.

7. USSR presses for new food agreement: According to Indian Food Ministry officials, the USSR is urging India to negotiate another wheat agreement to succeed the 1951 transaction. The Indians are reluctant to comply since they expect the USSR to turn negotiations for cash purchases into more troublesome discussions about barter. Instead, they queried the US Embassy about the availability of American food grains in 1952 and about the terms of the Battle Act. The Embassy believes the latter query may indicate an Indian intention to negotiate with Communist China. [REDACTED]

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Comment: The Indians apparently find it difficult to do business with the Russians. Unless their food import requirements for 1952 are as large as for 1951, there should be no urgent need for another food agreement with the USSR. Indian queries regarding the Battle Act possibly show their fear of retaliatory US action if strategic commodities are exchanged with Communist China.

8. BURMA. Shuffle of military high command reported: The US Army Attache in Rangoon reports that he has been reliably informed that the high command of the Burmese armed forces is about to be shuffled, with several field grade officers being transferred from staff to operations. He comments that this may be an effort either to check the deterioration of discipline and morale of troops in the field or bolster Commander in Chief Ne Win's personal control over the army. [REDACTED]

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9. THAILAND. Further indications of Sarit's enhanced importance seen: General Sarit's First Army passed in review during the 8 November commemoration of the fourth anniversary of the 1947 coup. General Sarit also recently issued a long press statement in which he denied friction with General Phao and professed undying loyalty to Premier Phibun. The US Embassy in Bangkok comments that Sarit's part in the anniversary celebrations typifies his growing power, and that his denial of rivalry with Phao comes close to admitting the accuracy of those rumors which maintain that it exists. [REDACTED]

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10. THAILAND/MALAYA. Malayan Communists appear to be intensifying activities in southern Thailand: The US Embassy in Bangkok reports that there have been signs of increasing Malayan guerrilla activity on the Thai side of the border. A captured Chinese arms runner has confessed that there are several smuggling channels from Bangkok to Malaya involving arms, clothing, food and medicine. There have also been a number of reports of bandit camps being discovered by both British and Thai police forces in the Thai-Malayan border area. The Embassy comments that this apparent intensification of guerrilla operations in Thailand may forbode worsening conditions in the south and coincides with the reportedly deteriorating situation in Malaya.

13. Party reorganization in South China to be postponed: Chinese Communist pronouncements on Party affairs in South China, while attacking tendencies toward self-interest on the part of Party members, reveal that a large-scale reorganization of the Party is to be postponed until the

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land-reform program is completed. [REDACTED]

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Comment: A CCP leader announced last May Day a projected "systematic and complete reorganization of the Party." [REDACTED]

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[REDACTED] this overhaul was to begin during summer 1951 and is to be completed by the end of 1953. The land-reform program is to be completed by the end of 1952. These pronouncements and reports agree that, unless Peiping is impelled by international events to speed up its program, the Party purge will continue in a routine fashion for the next year and will reach its greatest intensity during 1953.

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16. Alleged Communist Air Force intentions: A Chinese Communist document presented as genuine by the Chief of Staff of the Chinese Nationalist Air Force lists the following Communist intentions: (1) the Chinese Communists "may" continue the policy of not attacking UN ground forces by air, for fear of US retaliation; (2) the Chinese Communist Air Force will be used against Indochina and Formosa in the future; (3) Communist China intends to capture all Southeast Asia eventually; and (4) the USSR has agreed to assist in Korea and Indochina with air force and air transport units.

In addition, the document states that the Chinese Communist Air Force is an integral part of the Soviet Air Force, an "international Volunteer Air Force" has been in existence for some time under Soviet command, the Communists have been unable to maintain airfields in North Korea, and the Chinese are irritated by totally inadequate Soviet support of the Chinese Communist Air Force.

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Comment: It is doubtful if Taipei sources have access to Communist documents of this nature, and it is probable that this report consists of Chinese Nationalist speculation.

The Communists have maintained airfields in North Korea for over a month, and there is no evidence that Soviet material support of the Chinese Communist Air Force has been weak or that the Chinese are dissatisfied with the extent of Soviet support.

17. CHINA/KOREA. Chou En-lai summarizes Peiping's position on Korea: Chinese Communist Premier Chou En-lai, in a long statement of 19 November endorsing the Soviet Union's "peace proposal" at the UN General Assembly, reviewed Peiping's position on Korea. Asserting that the Chinese love of peace is exceeded only by the Chinese love of justice, Chou claimed that Peiping's intervention in Korea was impelled by US "occupation" of Formosa, "invasion" of Korea, and advance toward Manchuria. Referring explicitly to Malik's proposal of June 1951 that both belligerents withdraw from the 38th Parallel, Chou reaffirmed the Chinese and Korean Communist desire for a "peaceful settlement." Noting that no agreement has been reached in four months of negotiations, Chou concluded that it is "possible" to arrive at

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an armistice agreement "as the first step" in a Korean settlement if the US will be "fair and reasonable." [redacted]

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Comment: Chou's statement is simply a summary of his and Mao Tse-tung's pronouncements of 1 October. The American press has presented Chou's reference to Malik's proposal of June 1951, particularly as regards the 38th Parallel, as evidence that Peiping has returned to an intransigent position on this issue. However, Chou fails to mention this issue in his remarks on the current situation. At the same time, Chou's list of reasons for Peiping's original intervention suggests that, even if a cease-fire is achieved, Peiping intends in subsequent negotiations to bring forward its past demands for withdrawal of foreign forces from Formosa as well as Korea.

18. KOREA. Communist night air activity further restricts UN over northwestern Korea: While Communist night interceptor aircraft have been encountered in limited numbers over North Korea since December 1950, until recently no UN aircraft was known to have been damaged in such meetings. On the night of 16 November a UN light bomber, flying at 6,000 feet near the Chongchon river, was caught in a light cone from 15 searchlights and was immediately attacked by two conventional fighters which inflicted "major damage."

The Far East Command observes that the "skilled manner in which the pilots combined attacks with the use of radar-directed searchlights indicates a high degree of proficiency."

Anticipating an increase in both the number and effectiveness of enemy night interceptions, FECOM believes that the enemy's capability to restrict UN night operations has considerably improved and may be expected to be a limiting factor on future UN night air activity north of the Chongchon river. [redacted]

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Comment: Many of these night interceptors are believed to be LA-11 penetration fighters based in Manchuria.

If the Communists fully attain the capability to deny the air over northwestern Korea to UN night bombers, it will permit the nearly unmolested completion of their program of basing jet and conventional aircraft on airfields within Korea.

19. Efficiency of guerrilla activity in South Korea increasing: The 8th Army reports that although the numerical strength of Communist guerrillas in the ROK has "dwindled," there is a marked increase in the efficiency of their operations. The report states that "the enemy may have reorganized guerrilla forces and will intensify attacks against UN

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installations and communications."

This heightening of guerrilla activity is best illustrated by their successes on 12 and 14 November. During this period a small village near Kwangju was raided and occupied by the enemy, and three effective raids were made on UN transportation installations in southwestern Korea with resultant UN casualties and a delay in transportation. [REDACTED]

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Comment: The increased efficiency and declining strength of the guerrillas probably stems from the winnowing out of reluctant South Korean civilians who had been coerced into joining the guerrillas. In view of the inaccessibility of the enemy partisan strongholds in the Chiri and Taebak mountain ranges, the active cooperation of local inhabitants with UN forces remains the key to control of these groups.

20. Guerrilla situation worries ROK legislature: After considerable press and National Assembly agitation for a government explanation of the continued existence of a serious guerrilla situation in South Korea, the ROK Army Chief of Staff and other internal security officials appeared before the National Assembly in closed session on 31 October.

Symptomatic of this concern, on 6 November the National Assembly voted to express "non-confidence" in the ROK Minister of Home Affairs, whose police forces are apparently unable to cope with the guerrilla situation. [REDACTED]

Comment: It is anticipated that ROK countermeasures against the growing effectiveness of the guerrillas will increase when army command posts, to direct anti-guerrilla operations, are set up in the affected areas of the Chiri and Taebak mountains.

21. UN field survey of food crops in South Korea completed: The US Embassy in Pusan reports that a recent UN food crop survey reveals that available grains and vegetables in South Korea will provide a minimum ration for the entire population through June 1952. Grains and vegetables total 3,549,000 metric tons, whereas total consumption requirements are 3,694,000, for a deficit of 145,000 metric tons. However, the "consumption requirements seem generous," according to the UN officials, as population figures used "are considered high." [REDACTED]

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Comment: The consumption requirement, which may appear "generous," is more than offset by the fact that the rice requirement (more than 60 percent of the total figures) is computed at one pint per person daily--a subsistence level menu. The ROK Government's figures on the same crops, however, show a deficit approximately six times that of the UN, presumably in an attempt to influence the UN food import program.

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22. JAPAN. Left-wing Socialists plan Asian Council: Left-wing Socialist leader Mosaburo Suzuki announced on 19 November that he is planning to set up an Asian Council to promote an economic tie-up with Southeast Asia and Red China. He stressed that Red China, India and Japan should take the initiative in promoting economic and political activities in Asia. Concrete plans are being studied by Suzuki and Ambassador Chettur, head of the Indian Liaison Mission in Japan. Representatives of Southeast Asian countries will be invited to Japan soon for the establishment of the council.

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Comment: The left wing of the Socialist Party indicated last September its intention to align Japan with third force elements throughout Asia and to enlist their aid in building up Japan-Communist China trade. The lure of pan-Asianism and strong desires for increased trade with Communist China give this program considerable appeal within Japan, and could do much to restore the Party's currently low prestige following its unpopular anti-peace treaty campaign. Japanese Government officials reportedly are incensed over the Indian representative's dealings with this minor, anti-government political group.

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SECTION 3 (WESTERN)

1. AUSTRIA. Soviet authorities reject disciplinary action against Austrian police: The Disciplinary Commission of the Austrian Ministry of Interior has directed that two Vienna district police officials accused of misuse of police authority during the Communist riots last fall shall be pensioned and retired from office, and that a third shall be frozen in grade for three years. Subsequent to the disciplinary decision, the Police President was summoned to the Soviet Commandatura, informed that the Soviet Element would not tolerate the removal or punishment of these officials, and instructed to restore the officials to their positions at full pay. The Minister of Interior will recommend that the Austrian Cabinet appeal to the Allied Council against the unilateral Soviet action.

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Comment: Communist strength in the Austrian police, revealed in their ineffective action against Communist demonstrators last fall and subsequently in the police union elections, led last spring to efforts to purge Communist sympathizers from the police. The Ministry of Interior bungled the job in March by precipitately ordering the dismissal of 267 persons in administrative jobs and scheduling still further dismissals. Sit-down strikes among these officials ensued, and the Soviet Headquarters asserted that it would not recognize the dismissals which occurred in its zone. Fearing that the Soviet authorities might establish their own police, the Ministry of Interior quickly adopted a "go-slow" policy and abandoned the purge.

The quick reaction of the Soviet Headquarters to the renewed efforts of the Austrians to cleanse the police force suggests the importance they attach to this infiltration.

2. Soviet profits from eastern Austria may total millions of dollars: Supplementing tabulations of actual shipments with informed guesses, US officials in Vienna now calculate that Soviet-controlled enterprises in eastern Austria exported at least 242 million dollars worth of Austrian-produced goods to the Soviet Union and Satellite countries between 1 January 1947 and 30 June 1951. While exports of the Administration of Soviet Property in Austria (USIA) have fluctuated considerably from year to year, shipments from the Soviet Oil Administration (SMV) have steadily increased until they now constitute in value more than half of the Soviet enterprises' annual profits.

The loss of profits from these export goods accounts in part for the anxiety of the Austrian Government to be rid of the occupation, but indicates only in a small way the burden borne by the Austrian

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economy in supporting the Soviet establishment. In addition to these uncontrolled exports of Austrian goods, the Austrian Government has frequently complained of the exhaustion of oil and forest resources, the loss of taxes normally paid by the USIA and SMV properties, and losses to Austrian establishments because of the competition of the expanding number of Soviet retail stores. US officials estimate the value of industrial installations dismantled and removed by the Soviet Government from Austria in 1945 and 1946 at 200 million dollars. The respected Austrian Research Institute for Economics and Politics places the replacement cost of machines and equipment removed, however, at one billion dollars. [REDACTED]

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- 25X1 [REDACTED]
3. NETHERLANDS. Dutch-Indonesian relations at impasse over West New Guinea question: The Dutch Foreign Minister, discussing with US representatives in Paris the current impasse between the Netherlands and Indonesia over West New Guinea sovereignty, requested US support in the event Indonesia unilaterally abrogates the Netherlands-Indonesian Union and probably other agreements negotiated by the two countries in 1949. He emphasized that transfer of New Guinea from the Netherlands to Indonesia at present is a political impossibility.

Meanwhile, the Indonesian Foreign Minister, also in Paris, has proposed a de jure transfer of sovereignty over the area with a guarantee of national treatment to Dutch subjects and the extension of certain privileges to the Netherlands for a period of twenty-five years. No Dutch comment on his proposal has been received. The Indonesian Foreign Minister doubted that his government would be willing to accept a Dutch proposal to negotiate a bilateral treaty to replace the 1949 agreements and then allow some time to lapse before considering the New Guinea question. [REDACTED]

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Comment: The Dutch and Indonesian attitudes on New Guinea are forcing both governments into relatively uncompromising positions. Continued intransigence from both governments could lead to a break in Dutch-Indonesian relations. The Dutch, who have continually sought postponement of action on Dutch-Indonesian issues until after the 1952 parliamentary elections, are not expected to give way to Indonesian demands.

The question is further complicated by the attitude of Australia, which has always opposed the transfer of West New Guinea sovereignty to Indonesia.

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4. ITALY. Anti-Communist union expresses reservations regarding collaboration with government: Pastore, leader of the Confederation of Labor Unions (CISL), declared in a speech at the organization's recent congress in Naples that the CISL would cooperate with the government only if the latter's program provided for adequate socio-economic reform. He stated that labor was sick of mere words like "brotherhood" when people were poor and hungry, and that the government and employers should realize political democracy was meaningless without social and economic democracy. Referring to the proposed labor law prohibiting strikes by government workers, he declared strikes should not be banned in any field. He asserted that the CISL would resort to strikes only when necessary but reserved the right to take such action in any field where social and economic justice was not otherwise attainable.

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Comment: This is the strongest statement of opposition to the restrictive labor law yet made by the leader of the Christian-dominated CISL who has consistently criticized the government for its uncooperative attitude toward labor. His assertion of the organization's independence from party and government control is clearly designed to strengthen its appeal to unorganized labor, which regards CISL as controlled by a clerical government, and to prevent a possible withdrawal of the democratic Socialist members to the Italian Union of Labor

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5. Italian industrialists reject labor participation in productivity gains: The president of the Italian Confederation of Industrialists (Confindustria) has recently expressed the conservative industrialists' views on increasing industrial productivity. In defense of the existing restrictive business practices, he points out that excessive competition destroys capital and thereby reduces productivity. He rejects the thesis proposed by ECA that labor should participate in benefits of increased productivity; the Italian industrialists suggest instead that labor should get those benefits only as consumers through reduced prices.

Intended as a forerunner to the ECA-sponsored conference of Italian and other European industrialists with the National Association of Manufacturers in New York, the speech implied a close and harmonious relationship between Confindustria and ECA.

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Comment: The position taken by Confindustria on productivity is indicative of its extreme reluctance to adopt labor practices on US standards.

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6. Floods to pose new budgetary problems: Widespread damage has been caused in northern Italy by torrential rains and floods. At least one hundred thousand acres of land have been inundated and thousands of people made homeless. The Italian Cabinet is meeting to draw up an emergency bill for reconstruction of the flood-damaged areas in northern and southern Italy.

Comment: The heavy damage caused by the floods in Italy will be an additional burden on the Italian budget and may set back the investment program.

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SECTION 2 (EASTERN)

1. JAPAN. Tripartite fishing conference making progress: The chief US delegate at the US-Japan-Canada fisheries conference in Tokyo reports that the 16 November meeting made substantial progress, with a large area of agreement on conservation principles indicated. He reports that the Japanese strongly desire to avoid any implied "waiver" of rights, and to emphasize the equality of application of conservation principles. [REDACTED]

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Comment: American and Canadian fishing interests are concerned lest the Japanese fishing fleet upset established conservation plans of the North Pacific fishing areas. Japan, while in agreement on the need for conservation, has been insistent that the principle of freedom of high seas fishing be maintained in order not to weaken its position in future negotiations with other nations. The proposed US draft reportedly prevents Japanese fishermen from taking salmon, halibut, herring or pilchard, although it permits all other types of catch.

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